

UNITED STATES DEPARTMENT OF AGRICULTURE

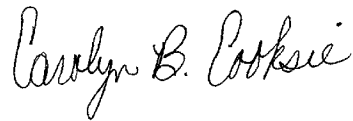
Farm Service Agency
Washington, DC 20250

Notice FLP-219

For: State and County Offices

Screening Process for FLP Treasury Offset (TOP) for Calendar Year 2001

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

**A
Background**

The Debt Collection Act, as amended by the Debt Collection Improvement Act (DCIA) of 1996, requires that delinquent debtors be referred to TOP for administrative offset of Federal Government payments, including the following:

- income tax refunds
- Federal salary pay, including military pay
- Federal retirement, including military retirement pay
- contractor or vendor payments
- certain Federal benefit payments issued under:
 - the Social Security Act, other than supplemental security income
 - part B of the Black Lung Benefits Act
 - any law administered by the Railroad Retirement Board, other than tier 2 benefit payments
- other Federal payments that are not exempt from offset.

Note: Social Security disability payments are eligible for TOP offset.

A 2-phase process will be used to screen for TOP offset eligibility. Phase 1 will screen delinquent debtors 90 calendar days or more past due for eligibility to receive the 60-calendar-day due process notice. In phase 2, Field Offices will delete debtors before certification if the borrower resolves the delinquency.

Continued on the next page

Disposal Date

September 1, 2002

Distribution

State Offices; State Offices relay to County Offices

1 Overview (Continued)

B

Purpose

This notice provides:

- guidance on determining eligibility for receiving a 60-calendar-day due process letter
 - instructions for deleting debtors on the TOP offset update screens.
-

C

Contacts

Address questions about this notice as follows:

- County Offices shall contact the State Office
 - State Offices shall contact:
 - LSPMD at 202-720-1653 for questions about FLP procedures
 - KCFO, St. Louis, Loan Operations Division (LOD), Program Reporting Branch (PRB) at 314-539-2494 for questions about the screening process.
-

2 KCFO, St. Louis Responsibility

A

Debtors Selected for TOP Offset Screen

KCFO, St. Louis made the TOP offset online screens available to State and County Offices the week of August 6, 2001.

The screens will reflect all delinquent debtors who are:

- 90 calendar days past due
- currently not collectible (CNC)
- not flagged BAP or SAA
- at least \$25 delinquent
- employee defalcations.

Non-judgment loans involved in a bankruptcy action that cannot be finalized must have a Collection Only code of "8" to be excluded from the screens.

Continued on the next page

2 KCFO, St. Louis Responsibility (Continued)

A

Debtors Selected for TOP Offset Screen (Continued)

CNC borrowers submitted by the State Office to KCFO, St. Louis for manual addition to the TOP screen are included, with the following exceptions:

- amount less than \$25
- BAP or SAA flag
- paid code is other than "00", "S03", or "S07"
- class of writeoff code (CWC) is other than "5"
- no Online History and/or AI screen is available
- non-CNC judgments that were included in error.

As of August 1, 2001, Report Code 540 will be used to determine eligibility for debtors displayed on the TOP Offset screen. The delinquent amount is the total unpaid principal and interest for accounts with:

- ACL
- FAP
- CAP flag
- cost item loans
- fully matured loans
- employee defalcations.

Debtors flagged 51-S have been included. Debtors who have requested servicing under FmHA Instruction 1951-S are **eligible** for offset until a settlement or repayment plan has been approved by FSA. Debtors flagged 51-S whose account appears delinquent because of transaction code 5S or 5T problems should be deleted. Contact the KCFO, St. Louis LOD loan servicing team to verify delete eligibility because of transaction processing problems.

Note: The capability to add non-CNC judgments, newly delinquent loans, and delinquent leases is currently being developed.

B

Notice to Debtors

During the week of September 10, 2001, KCFO, St. Louis will send a 60-calendar-day due process notice to all debtors not deleted on the TOP offset online screen in Phase 1. This notice provides the 60-calendar-day due process notice required under DCIA. Debtors will have 60 calendar days from the date of receipt to provide evidence in writing to the servicing official that their debt should not be offset.

Note: Since this notice only provides borrowers with actions they can take and is not a notice of adverse action based on a factual matter, it does not provide new appeal rights.

3 County Office Responsibility

A

Screening

During the week of August 6, 2001, servicing officials were provided access to the TOP offset online screen. Servicing officials will have until 3:30 p.m. central standard time (CST) September 7, 2001, to:

- review the online screens and determine whether each debtor has a loan or loans that make the debtor eligible to receive a 60-calendar-day due process notice

Note: Verify the accuracy of any flags on the debtor's account and correct, if necessary.

- notify KCFO, St. Louis by FAX at 314-539-6266 of any CNC loans that are eligible for TOP, cross-servicing, or both, but do not appear on the TOP screens

Note: Identified CNC loans will not appear on the screens until the next annual cycle.

- review Exhibit 1 for delete codes that will be programmatically generated based on the status of the debtor's account as of September 7, 2001

Note: No servicing office action is needed for debtors who meet the delete code criteria in Exhibit 1.

- enter a delete code for **each** loan that is ineligible, based on criteria in Exhibit 2. Do not use codes that are not included in Exhibit 2.

CNC loans must be critically reviewed before determining TOP eligibility. Refer to Notice FLP-213 for further information. If any CNC loan is past the 10-year statute of limitations, as defined by OGC, or becomes ineligible for other reasons, notify KCFO, St. Louis immediately by FAXing FSA 1956-22 to 314-539-6266. FSA 1956-22 is a new form developed to inform KCFO, St. Louis of loans to be deleted from TOP. FmHA 1951-43 is obsolete.

Important: Each loan must be reviewed because the 10-year statute of limitations for collection by offset may have expired. Only the servicing office can determine whether the loan should be deleted. Use delete code "09" for OPEN (Non-CNC) loans only. Do not delete CNC accounts on the TOP screens.

Continued on the next page

3 County Office Responsibility (Continued)

A Screening (Continued)

CAP and FAP flagged loans are included on the screens. The presence of one of these flags on the account is irrelevant to whether a borrower should be deleted. Review the borrower file to determine eligibility, as follows:

- CAP flagged accounts should be deleted with code "03" **only** if legal action other than bankruptcy or foreclosure prohibits offset

Note: Loans involved in a discrimination lawsuit remain eligible for offset pending the outcome of the lawsuit.

- FAP flagged accounts should be deleted with code "01" **only** if administrative offset would jeopardize litigation under the State law.

For debtors whose files are being handled in another office, contact that office for a determination of eligibility.

If the servicing official is unable to access that office's debtors and the servicing official is aware that there should be debtors on the screens, contact the State Office.

Continued on the next page

3 County Office Responsibility (Continued)

B

How to Access Screens

County Offices can view and delete debtor loans from the TOP offset online screens as follows:

- On the Online Subsystem Selection Menu, select "TOPOFFST" and the Borrower Selection Menu will be displayed.
- On the Borrower Selection Menu, enter 1 of the following in the "Enter Option" field:
 - "2", to view borrowers by State and county
 - "3" to view borrowers by case number.

If "2" is entered in the "Enter Option" field, then:

- enter the 2-digit non-FIPS State code (former FmHA code) in the "Enter State" field
- enter all 5 digits of the FSA servicing office mail code, which is the 2-digit non-FIPS State code and the 3-digit servicing office code, and PRESS "Enter".

If "3" is entered in the "Enter Option" field, then:

- enter all 5 digits of the FSA servicing office mail code, which is the 2-digit non-FIPS State code (former FmHA code) and the 3-digit servicing office code in the "Enter State and County" field
- enter the entire 15-digit borrower case number in the "Enter Case Number" field, and PRESS "Enter".

Note: The loans for the borrower requested will be displayed if the borrower is within the requestor's servicing jurisdiction.

- ENTER "4" to return to the Online Subsystem Selection Menu, and PRESS "Enter".

Continued on the next page

3 County Office Responsibility (Continued)

C

Deleting Debtors

After accessing debtors through option 2 or 3 on the Borrowers Selection Menu, follow these steps to delete a loan **and any cost item related to the loan** if ineligible for offset.

Step	Action
1	Input the applicable delete code from Exhibit 2 in the "DLT CDE" field on the line for the loan number to be deleted. If all of a debtor's loans are to be deleted, a delete code must be input for each loan.
2	Input any delete codes needed for all borrowers and their loans displayed on the page of the screen.
3	<p>PRESS "Enter".</p> <p>Notes: "Enter" must be pressed for each page if a delete code has been entered. If "PF8" or "PF7" is pressed without pressing "Enter" first, the delete code will not be processed.</p> <p>Once "Enter" has been pressed, "Borrower(s) Processed" will be displayed on the bottom left of the screen. The delete codes will be displayed in the loan line under the "Delete Code" column, which is left of the center of the screen. The current date will be displayed in the "Delete Date" column in the center of the screen.</p>
4	Continue this process for all pages displayed for the requested servicing office or borrower.

Debtors remaining undeleted after screening should be in one of the following categories and not in bankruptcy:

- loans at least 90 calendar days past due with no approved repayment plan or settlement plan
- CNC (chargeoff) loans
- employee defalcation.

Note: Before 3:30 p.m. CST on September 7, 2001, the delete code previously entered may be changed by inputting "00" if the debtor becomes eligible for offset or by entering a new delete code. Any debtor loans that do not have a delete code input by 3:30 p.m. CST on September 7, 2001, or generated in the update process immediately following, will receive a 60-calendar-day due process letter. Debtors not receiving a 60-calendar-day due process letter will not be certified for offset and will not be added to TOP.

4 State Office Responsibility

A

Accessing the TOP Offset Screens

State Offices will have the capability to delete problem accounts serviced by their office on-line, if necessary. Refer to subparagraph 3 A for critical information about eligibility.

State Offices can access the TOP offset screens as follows:

- select "TOPOFFST" from the Online Subsystem Selection Menu
- ENTER "1" in the "Enter Option" field to view all borrowers in the State selected
- enter the 2-digit non-FIPS State code in the "Enter State" field and PRESS "Enter". All debtors within the State will be displayed. Follow the steps in subparagraph 3 C to delete any applicable loans.

To delete a specific borrower, follow the steps in subparagraphs 3 B and C using option 3.

B

Verifying Screen Process Has Been Completed

State Offices must follow up with servicing offices to ensure that the screening process has been completed by the September 7, 2001, deadline. To verify that the screening has been completed:

- view each servicing office screen for delete codes other than "00"

Note: If this field is "00" for all borrowers in the servicing office, there may be no debtors who are ineligible or the delete codes have not been processed.

- contact servicing offices that have no delete codes on the debtor loans to verify that the screening has been completed and that no access problems exist.
-

IRS Offset Programmatic Delete Codes

Code	Description
02	Account has a "BAP" flag.
08	Account has an "SAA" flag.
13	A cost item reversal put a "Z99" paid code on the account. Transaction code "4A" or "4D" put a "Z97" paid code on the account.
17	Loan is current or paid-in-full by cash payment.
19	Loan is satisfied by other than those reasons in codes "13", "17", and "38".
38	Account has been written-off with CWC other than "5".

TOP Offset Online Screen Delete Codes For Non-CNC Loans

Code	Description
01	Account has been referred to OGC or the Department of Justice for foreclosure, and collection by offset would jeopardize the litigation under State law. Note: Existence of a foreclosure action pending flag is not a determining factor. Remove any erroneous flag.
02	Loan has been discharged in bankruptcy, and debtor is no longer liable or is under the jurisdiction of a bankruptcy court, and the debt has not been reaffirmed. Note: Existence of a bankruptcy action pending flag is used as a determining factor in the programmatic screening. Remove any erroneous flag.
03	Legal action, other than bankruptcy or foreclosure, prohibits offset. Note: Loans involved in a discrimination lawsuit remain eligible for offset pending the outcome of the lawsuit.
08	Loan is current under a Subject to Approved Adjustment (SAA). Note: SAA is a bankruptcy reorganization plan or debt settlement adjustment. Borrowers who are delinquent in a reorganization plan will be ineligible for offset if still under court jurisdiction.
09	Loan is past the 10-year statute of limitations to collect by offset.
16	Repayment plan has been approved by FSA.

Important: It is critical that CNC accounts **not** be deleted from offset screens. See subparagraph 3 A.
